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Venezuela

Grain and Feed Update

Grain and Feed

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Report Highlights:

Post expects imports of wheat and yellow corn to be strong in 2014 based on steady food demand, specific requirements for the animal feed industry, and stagnant domestic grain production.

Post:
Caracas

Commodities:
Wheat

Corn

Executive Summary:

Venezuela is experiencing declining export revenues, accelerating inflation and widespread shortages of basic consumer goods, all problems confronting Venezuela for the past few years. However, in certain agricultural sectors, the situation is reaching critical levels. According to non-government economic experts, in 2014, we can expect continued stagnating and declining agricultural production; severe food shortages; further declines in agricultural exports and greater reliance on imported food. The U.S. should benefit from the increase imports in the form of increased grain and consumer-ready product exports to Venezuela, but suppliers will have to be more flexible with payment terms and credit options.

Late 2013 and early 2014 were marked by a restructuring of the exchange rate and the 11-year-old currency control system. The government will institute steps to transfer requests for dollars to an auction mechanism, and systematically phase out the government's solicitation procedures implemented by CADIVI. Under CADIVI, the official exchange rate is set at Bs6.3/\$1.00, while the exchange rate under the auction mechanism will vary, albeit highly controlled. Meanwhile delays in allocating foreign exchange requests are hindering agricultural production and creating shortages of agriculture and food products such as wheat flour and white corn.

WHEAT: The Venezuelan wheat industry continues to face import problems due mainly to the delay in the approval of foreign currency and import permits, but should continue to receive preferential treatment to expedite the import of basic consumer goods. There are no significant changes to the last report. Post estimates an increase in imports of wheat to 1.67 million tons in MY 2013/14 compared to the previous year, due to increased consumption and reductions in millers' inventories over the past month. Consumers increased pasta and bread consumption patterns due to shortages of other basic food products in the country. Also pasta and wheat products are price regulated food products available to low income people and preferred into Venezuelans diet for their versatility.

Venezuela over the past several weeks experienced a significant shortage of wheat flour due to a series of production and wheat import problems. The government was forced to import flour from Colombia and wheat from the United States. For more information, see GAIN report No. VE1401. A recent shipment of wheat helped alleviate the immediate problem, but only through February 2014.

Untimely imports resulting from the lack of coordination among government officials, importers and food manufacturers, added to the over congested port problems. In some cases, millers have to borrow wheat from competitors to keep operating until new supplies arrive to the country. While millers would like to increase stocks, there is no indication that ongoing import problems will greatly improve, forcing millers to reduce stocks during periods of shortages. Also, there are no government facilities in conditioned to hold more wheat.

CORN: Corn production in MY 2013/2014 is estimated to remain unchanged at 1.3 million tons as well as area harvested at 400,000 hectares since farmers do not see the agricultural situation improving in 2014. There is an increasing lack of agricultural inputs due to the strained foreign currency situation.

Also, in an attempt to encourage corn, rice and sugar cane producers to plant more, in August 2013 the government increased commodity subsidies to farmers, which will be paid at harvest based on quantity (not quality) in the coming months. Producers are skeptical, however, since no payments to date have been made. Failure to pay the promised subsidies will further reduce production in the coming years. In the meantime, corn imports are expected to rise.

Venezuelan corn imports are estimated at 2.6 million tons in MY 2013/14, no change from Post's previous report. Venezuela continues to source its yellow corn needs mainly from the United States; however, more yellow corn is being sourced from Argentina and Brazil. There is a certain priority attention given to the feed sector regarding foreign exchange allocations, but it does not exempt it from long delays in the allocation of dollars and issuance of import permits.

Based on information from local industry contacts, Post estimates yellow corn demand in 2013/2014 at 2.2 million tons to keep the domestic poultry and swine sectors operating; and corn demand for human consumption at 1.6 million tons.

Wheat Venezuela	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jul 2011		Market Year Begin: Jul 2012		Market Year Begin: Jul 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	0	0	0	0	0
Beginning Stocks	84	84	270	270	337	292
Production	0	0	0	0	0	0
MY Imports	1,686	1,686	1,617	1,577	1,675	1,675
TY Imports	1,686	1,686	1,617	1,623	1,675	1,675
TY Imp. from U.S.	693	693	560	743	0	0
Total Supply	1,770	1,770	1,887	1,847	2,012	1,967
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	0	0	0	0	0	0
FSI Consumption	1,500	1,500	1,550	1,555	1,585	1,585
Total Consumption	1,500	1,500	1,550	1,555	1,585	1,585
Ending Stocks	270	270	337	292	427	382
Total Distribution	1,770	1,770	1,887	1,847	2,012	1,967

1000 HA, 1000 MT, MT/HA

Corn Venezuela	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	430	430	400	400	400	400
Beginning Stocks	314	314	360	360	310	159
Production	1,300	1,300	1,300	1,300	1,300	1,300
MY Imports	2,596	2,596	2,300	2,149	2,600	2,600
TY Imports	2,596	2,506	2,300	2,300	2,600	2,600
TY Imp. from U.S.	1,398	1,398	1,092	1,092	0	0
Total Supply	4,210	4,210	3,960	3,809	4,210	4,059

